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S. H. KRESS & COMPANY

ANNUAL REPORT

1952

Roswell, New Mexico

S. H. KRESS & COMPANY

BUYING-EXECUTIVE OFFICES

114 FIFTH AVENUE, NEW YORK 11, N. Y.

Directors

S. H. KRESS

R. H. KRESS — H. S. BOWERS

C. G. TRAMMELL — O. V. W. HAWKINS

H. S. DAVIS — H. L. SPENCER

Officers

S. H. KRESS
Chairman of the Board

R. H. KRESS
Vice-Chairman of the Board

C. G. TRAMMELL
President

H. S. DAVIS
Executive Vice-President

C. M. FUNK
Vice-President and Treasurer

R. F. GARRITSON
Vice-President

O. V. W. HAWKINS
Vice-President and Secretary

E. H. RHODES*
Vice-President

W. M. WEAVER
Assistant Treasurer

C. I. GINGRICH*
Vice-President

L. K. GUILER*
Assistant Treasurer

C. L. ABRY*
Vice-President

A. F. GUERBER
Assistant Secretary

E. F. SIBBERT
Vice-President

C. H. WILLIAMSON
Assistant Secretary

D. C. WELLS*
Controller

C. M. SKADE
Assistant Controller

*Elected in 1953

General Counsel: DUER, STRONG & WHITEHEAD, New York, N. Y.
Transfer Agent: BANKERS TRUST COMPANY, New York, N. Y.
Registrar: CHEMICAL BANK & TRUST COMPANY, New York, N. Y.

OPERATIONS AT A GLANCE

		Amount	*Cents Per Dollar*	
RECEIVED:		*1952*	*1952*	*1951*
Sales to customers		$176,241,576	99.7	99.3
Rental of property, interest, etc.		574,815	.3	.3
Non-recurring special credits		—	—	.4
Total amount received		$176,816,391	100.0	100.0
PAID OUT:				
Merchandise, rent and operating expenses other than taxes, wages and salaries and employe benefits		$119,133,562	67.3	66.9
Taxes paid to Federal, state, county, and municipal governments (not including taxes paid by the Company for employe Social Security benefits)		12,881,902	7.3	7.5
Wages and salaries and other employe benefits paid to:				
All employes other than officers	$33,282,314			
Officers	662,376			
Retirement pension and group life insurance contributions	791,405			
Social Security taxes	923,990			
Total		35,660,085	20.2	19.8
Dividends paid to stockholders		7,055,022	4.0	4.1
Total amount paid out		$174,730,571	98.8	98.3
BALANCE:				
Earnings retained for use in the business		$ 2,085,820	1.2	1.7

S. H. KRESS & COMPANY

February 10, 1953

To the Stockholders of S. H. Kress & Company:

THE ANNUAL REPORT of our Company for the year ended December 31, 1952 is submitted herewith. It includes comparative statements of earnings and financial condition, certified by Price Waterhouse & Co., independent public accountants appointed by the Board of Directors.

Sales

Sales for 1952 amounted to $176,241,576, which is an increase of $3,850,749 or 2.2% higher than for 1951. Average sales per store increased to an all-time high of $677,852, as compared with $665,602 in 1951, which places S. H. Kress & Co. in the position of having the highest average sales per store of any variety store company. The increase in dollar sales volume was largely due to the increase in the number of units sold, price levels having been fairly constant throughout the year.

Earnings

The net earnings for the year, after providing for Federal taxes on income, amounted to $9,140,842 or $3.89 on each of the 2,351,674 shares of common stock outstanding.

For 1951 the comparable net earnings, before adjustment for a nonrecurring item of $675,171, were $9,336,765, equal to $3.97 on each share of common stock outstanding. After this adjustment, the 1951 net earnings were $4.26 per share of common stock.

The decrease in net earnings in 1952 was due to higher operating expenses, principally wages. The management of our Company is fully aware of the importance of the problem of the continued increase in operating costs and is intensifying its efforts to reduce the impact of higher costs by the adoption of improved methods and equipment and by improving the production of the sales organization.

Dividends

During 1952 the Company paid dividends totaling $3.00 per share of common stock. Dividends of the same amount were paid in 1951.

Wages and Salaries

In 1952 wages and salaries paid to all employes, including officers and directors, totaled $33,944,690, an increase of 3.7% as compared with 1951.

The special payments to other than executive employes were continued and included the Christmas Bonus and Length of Service Compensation, totaling $493,946, as compared with $479,461 for the previous year.

Total amount of wages, salaries and other employe benefits for 1952 was $35,660,085 or 20.2¢ of each dollar taken in by the Company.

Taxes

Federal income and excess profits taxes on earnings from operations for 1952 amounted to $9,950,000 compared with $10,100,000 in 1951.

All direct taxes paid by the Company, including Social Security taxes, amounted to $13,805,892 or $5.87 per share of common stock as compared with net earnings from operations of $3.89 per share.

The Company also collected excise and sales taxes amounting to $6,457,583 as agent for Federal, state and local governments.

Inventory

Inventories of merchandise on hand and in transit amounted to $29,539,817 as compared with $29,176,614 at the end of 1951. Inventories were valued at cost or market, whichever is lower, and, in accordance with the policy adopted in 1951, were computed by the retail inventory method.

Inventories are in line with sales expectations for the coming months. Little difficulty was experienced in obtaining prompt deliveries during 1952 and the outlook for 1953 deliveries is favorable.

New Stores—Future Expansion

On December 31, 1952 the Company had 260 stores in operation, one more than the number in operation at the end of the previous year. Our store at Bakersfield, Calif. suffered damage from an earthquake in August 1952 and was closed for approximately two months before the necessary repairs were completed. Our store at Calexico, Calif. which was completely destroyed by fire in December 1952 is being rebuilt and it is expected will be opened late this year.

New stores were opened at Roswell, N. Mex. and at 114 East Capitol St., Jackson, Miss. During the year stores in the following cities were modernized and expanded:

ALBANY, GA.	LAREDO, TEX.
ALTOONA, PA.	MOBILE, ALA.
BIRMINGHAM, ALA.	OGDEN, UTAH
HILLSBORO, TEX.	SAN DIEGO, CALIF.

WICHITA, KANS.

Purchases of land and expenditures for buildings and equipment amounted to $4,662,508 in 1952.

At the present time, one store is under construction in a new location and a major addition to an existing store is under way. Both projects are scheduled for completion in the second half of this year. Our capital expansion program for 1953 and future years includes ten new stores, four of which will replace existing units, and expansion and rehabilitation of 24 stores.

Shareholders

On December 31, 1952 registered shareholders of the common stock of our Company totaled 9,065 as compared with 8,861 shareholders on December 31, 1951. At the end of the year a total of 970 employes were shareholders of the Company.

Personnel

The Board of Directors and officers wish to thank each member of the entire organization for his and her contribution to the results accomplished in 1952. The continued cooperation and sincere efforts of the many employes who are making their work with the Company a lifetime career are particularly gratifying.

It is appropriate to mention at this time that it has been the policy of our Company to maintain wage and salary levels equal to or better than prevailing rates and to provide in addition thereto other benefits for employes such as paid vacations up to four weeks depending upon length of service, paid holidays, sickness benefits, Group Life Insurance and Retirement Pensions. The cost of all employe benefits, including the cost of Unemployment Insurance and Old Age Benefits provided by law, amounted to approximately $4,214,000 or 12% of the total amount of wages, salaries and other employe benefits paid in 1952.

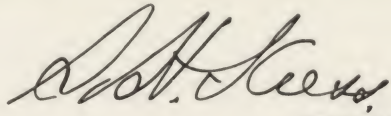
It is a pleasure to welcome each year a new group of employes who have reached their 25th anniversary of employment with the Company. Forty-two employes were so honored in 1952 and received appropriately inscribed watches in appreciation of their contributions to the success of the Company.

At the end of the year 226 employes had completed 25 years of service while a total of 1,261 had completed 10 years or more of service.

Suppliers

During the year there were no appreciable shortages of merchandise regularly made available to our customers. Buying habits were normal and it is felt that the transition from the scarcities of recent years in certain lines of merchandise to adequate supplies of all merchandise has about been completed.

The cooperation of manufacturers and suppliers in the development of new and improved values is an important factor in the limited price variety store business. The close relationship that has existed between S. H. Kress & Co. and many of its suppliers is responsible, to a large extent, for the development of the many outstanding values sold in our stores. As in the past, the Company will continue to emphasize the development of greater values for the people who shop in Kress stores.



CHAIRMAN

S. H. KRESS & COMPANY

Statement of Earnings

	Year Ending December 31, 1952	*1951*
GROSS SALES	$176,241,576	$172,390,827
Rental received from tenants	537,760	461,114
Interest received, etc. (net)	37,055	4,600
	$176,816,391	$172,856,541
Deduct:		
Cost of merchandise sold and operating expenses	$154,815,316	$150,739,968
Provision for depreciation and amortization	2,199,290	2,018,428
Provision for employes' retirement pension plans	710,943	661,380
Provision for Federal taxes on income	9,950,000	10,100,000
	$167,675,549	$163,519,776
NET EARNINGS FROM OPERATIONS	$ 9,140,842	$ 9,336,765
Add Special Credit:		
Credit resulting from adjustment of fixed assets and depreciation accounts, less provision of $600,000 for additional Federal taxes	—	675,171
NET EARNINGS FOR YEAR	$ 9,140,842	$ 10,011,936
Deduct:		
Dividends paid ($3.00 per share)	7,055,022	7,055,022
EARNINGS FOR THE YEAR RETAINED FOR USE IN THE BUSINESS	$ 2,085,820	$ 2,956,914

ASSETS	December 31, 1952	1951
CURRENT ASSETS:		
Cash	$ 15,672,005	$ 16,824,971
U.S. Government securities, at amortized cost (market value December 31, 1952 — $9,043,500)	9,042,686	9,077,130
Sundry debtors	853,873	111,392
Inventories of merchandise, including merchandise in transit, at lower of cost or market	29,539,817	29,176,614
Total current assets	$ 55,108,381	$ 55,190,107
OTHER ASSETS:		
Loans and advances to landlords and miscellaneous notes receivable	$ 459,692	$ 376,590
Prepaid insurance premiums, rents, etc.	707,541	387,464
Total other assets	$ 1,167,233	$ 764,054
CAPITAL ASSETS:		
Fixtures and equipment, at cost	$ 21,482,344	$ 20,572,526
Less—Provision for depreciation	14,244,936	13,880,539
	$ 7,237,408	$ 6,691,987
Leasehold improvements, at cost	$ 22,541,324	$ 20,610,382
Less—Provision for amortization	10,910,186	10,425,496
	$ 11,631,138	$ 10,184,886
Land and buildings owned in fee, at cost in cash and capital stock	$ 51,313,661	$ 50,448,411
Less—Provision for depreciation	13,553,332	12,783,080
	$ 37,760,329	$ 37,665,331
Total capital assets	$ 56,628,875	$ 54,542,204
GOOD-WILL	$ 1	$ 1
	$112,904,490	$110,496,366

Statement of Financial Condition

LIABILITIES	December 31, 1952	December 31, 1951
CURRENT LIABILITIES:		
Accounts payable—trade creditors	$ 1,393,360	$ 1,140,355
Accounts payable—merchandise in transit	1,236,169	1,323,967
Accrued salaries and expenses, and miscellaneous accounts payable	6,923,464	6,592,385
Federal taxes on income	10,171,588	10,345,570
Total current liabilities	$ 19,724,581	$ 19,402,277
CAPITAL:		
Capital stock:		
Special preferred stock—6% cumulative—		
Authorized—1,000,000 shares of $10 each		
All issued shares reacquired for treasury		
Common stock without par value— Authorized—2,678,787 shares Issued—2,357,574 shares	$ 48,511,253	$ 48,511,253
Accumulated earnings retained for use in the business	$ 44,787,173	$ 42,701,353
Less—Cost of 5,900 shares of common stock reacquired	118,517	118,517
	$ 44,668,656	$ 42,582,836
Total capital stock and accumulated earnings	$ 93,179,909	$ 91,094,089

NOTE: At December 31, 1952 the Company was obligated under 138 leases expiring after December 31, 1955, some of which require, in addition to the minimum rentals now being paid, payments of additional rentals based on sales, and payments of real estate taxes, maintenance and insurance. The aggregate amount charged against operations for the year 1952 under all leases was $3,169,306.

	$112,904,490	$110,496,366

ACCOUNTANTS' REPORT

PRICE WATERHOUSE & CO.

56 PINE STREET
NEW YORK 5

February 10, 1953

To the Stockholders of S. H. Kress & Company:

We have examined the statement of financial condition of S. H. Kress & Company as of December 31, 1952 and the related statement of earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of S. H. Kress & Company at December 31, 1952, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Ten Year Comparative Record

OF SALES, EARNINGS, AND DIVIDENDS

Year	No. of Stores	Sales	Earnings Before Federal Taxes on Income	Federal Taxes on Income	Net Earnings After Federal Taxes on Income	Net Earnings Per Share of Common Stock	Dividends Paid Per Share Common	Dividends Paid Per Share Preferred
1943	244	$124,021,970	$17,118,585	$11,600,000	$ 5,518,585	$2.16	$1.60	$ .60
1944	243	127,955,060	20,034,632	14,300,000	5,734,632	2.25	1.60	.60
1945	244	126,038,945	16,687,280	11,675,000	5,012,280	2.13	1.60	(a)
1946	242	150,926,508	20,785,531	8,000,000	12,785,531	5.44	4.20	–
1947	243	155,359,900	20,572,077	7,900,000	12,672,077	5.39	3.50	–
1948	250	165,366,617	20,638,578	7,800,000	12,838,578	5.46	4.25	–
1949	256	163,923,437	16,148,204	6,100,000	10,048,204	4.27	3.00	–
1950	259	161,657,149	20,946,641(b)	8,900,000	12,046,641(b)	5.12(b)	3.00	–
1951	259	172,390,827	20,111,936(c)	10,100,000	10,011,936(c)	4.26(c)	3.00	–
1952	261(d)	176,241,576	19,090,842	9,950,000	9,140,842	3.89	3.00	–

(a) All issued shares of 6% Special Preferred Stock reacquired in December 1944.

(b) Includes restoration of excess provision for Federal taxes on Income for prior years amounting to $700,000 or 30¢ per share.

(c) Includes restoration of depreciation taken in prior years, less Federal taxes, amounting to $675,171 or 29¢ per share.

(d) Includes Calexico, Calif. store closed because of fire.

KRESS STORES

ALABAMA (13)
- Anniston
- Bessemer
- Birmingham
- Dothan
- Ensley
- Gadsden
- Huntsville
- Mobile
- Montgomery
- No. Birmingham
- Prichard
- Selma
- Tuscaloosa

ARIZONA (5)
- Douglas
- Nogales
- Phoenix
- Tucson
- Yuma

ARKANSAS (6)
- Blytheville
- Fort Smith
- Helena
- Hot Springs
- Little Rock
- Pine Bluff

CALIFORNIA (44)
- Alhambra
- Anaheim
- Bakersfield
- Berkeley
- *Calexico
- El Centro
- Eureka
- Fresno
- Glendale
- Huntington Park
- Inglewood
- Long Beach
- Los Angeles (12)
- Modesto
- Oakland
- Pasadena
- Pomona
- Richmond
- Riverside
- Sacramento
- Salinas
- San Bernardino
- San Diego
- San Fernando
- San Francisco (2)
- San Jose
- San Pedro
- Santa Ana
- Santa Barbara
- Santa Monica
- Santa Rosa
- Stockton

COLORADO (7)
- Boulder
- Colorado Springs
- Denver
- Grand Junction
- Greeley
- Pueblo
- Trinidad

FLORIDA (14)
- Daytona Beach
- Jacksonville (2)
- Key West
- Lakeland
- Miami
- Miami Beach
- Orlando
- Pensacola
- St. Petersburg
- Sarasota
- Tampa
- West Palm Beach
- Ybor City

GEORGIA (14)
- Albany
- Americus
- Athens
- Atlanta (2)
- Augusta
- Brunswick
- Columbus
- La Grange
- Macon
- Rome
- Savannah
- Valdosta
- Waycross

HAWAII (4)
- Hilo
- Honolulu
- Lihue
- Wailuku

IDAHO (3)
- Boise
- Idaho Falls
- Pocatello

ILLINOIS (2)
- Cairo
- Rockford

KANSAS (13)
- Arkansas City
- Chanute
- Coffeyville
- Emporia
- Fort Scott
- Hutchinson
- Independence
- Iola
- Lawrence
- Parsons
- Pittsburg
- Salina
- Wichita

KENTUCKY (3)
- Ashland
- Hopkinsville
- Winchester

LOUISIANA (6)
- Alexandria
- Baton Rouge
- Lake Charles
- Monroe
- New Orleans
- Shreveport

MISSISSIPPI (9)
- Biloxi
- Greenville
- Hattiesburg
- Jackson (2)
- Laurel
- Meridian
- Natchez
- Vicksburg

MISSOURI (6)
- Carthage
- Jefferson City
- Moberly
- Nevada
- Trenton
- Webb City

MONTANA (2)
- Billings
- Great Falls

NEW JERSEY (2)
- East Orange
- Summit

NEW MEXICO (2)
- Albuquerque
- Roswell

NEW YORK (4)
- New York City (4)

NORTH CAROLINA (13)
- Asheville
- Charlotte
- Durham
- Fayetteville
- Gastonia
- Goldsboro
- Greensboro
- High Point
- New Bern
- Rocky Mount
- Salisbury
- Wilmington
- Winston-Salem

OHIO (1)
- Youngstown

OKLAHOMA (15)
- Ardmore
- Bartlesville
- Blackwell
- Chickasha
- Enid
- Guthrie
- Lawton
- McAlester
- Muskogee
- Oklahoma City
- Okmulgee
- Ponca City
- Sapulpa
- Shawnee
- Tulsa

OREGON (2)
- Portland
- Salem

PENNSYLVANIA (1)
- Altoona

SOUTH CAROLINA (8)
- Anderson
- Charleston
- Columbia
- Florence
- Greenville
- Greenwood
- Spartanburg
- Sumter

TENNESSEE (10)
- Bristol
- Chattanooga
- Elizabethton
- Jackson
- Johnson City
- Kingsport
- Knoxville
- Memphis
- Nashville (2)

TEXAS (36)
- Amarillo
- Austin
- Baytown
- Beaumont
- Brownsville
- Corpus Christi
- Corsicana
- Dallas (2)
- Del Rio
- Denison
- Eagle Pass
- El Paso
- Fort Worth
- Gainesville
- Galveston
- Greenville
- Harlingen
- Hillsboro
- Houston (3)
- Laredo
- Longview
- Lubbock
- Paris
- Port Arthur
- San Angelo
- San Antonio (2)
- Sherman
- Texarkana
- Tyler
- Waco
- Waxahachie
- Wichita Falls

UTAH (3)
- Ogden
- Provo
- Salt Lake City

VIRGINIA (1)
- Roanoke

WASHINGTON (12)
- Aberdeen
- Bellingham
- Bremerton
- Everett
- Seattle (4)
- Spokane
- Tacoma
- Wenatchee
- Yakima

*Store closed because of fire.

Total – 261 Stores in 29 States and the Territory of Hawaii

PRINTED IN U.S.A.

Alexandria, Louisiana

114 East Capitol Street
Jackson, Mississippi

Birmingham, Alabama

KRESS